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Economic and Social Council

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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 6th meeting

Held at Headquarters, New York, on Monday, 24 April 2006, at 9.30 a.m.

President: Mr. Hachani ..... (Tunisia)

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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

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06-32203 (E)

The meeting was called to order at 9.45 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (E/2006/48 and Corr.1)

1. **The President** recalled that at the 2005 World Summit, world leaders had reaffirmed their commitment to achieving the Millennium Development Goals and the goals of the major United Nations conferences and summits and had recognized that, to meet the 2015 deadline, implementation needed to be stepped up. To that end, the Summit had assigned several new functions to the Economic and Social Council: conducting annual ministerial reviews of progress towards agreed development goals, convening a global Development Cooperation Forum; and strengthening the Council as a forum for global policy dialogue. Each new task placed the Council at the centre of the effort to monitor and advance implementation of the development agenda. The Council could only successfully undertake those functions with the full engagement of all stakeholders.

2. The large number of high-level participants present attested to the critical importance of development cooperation for human welfare throughout the world. He was encouraged by their joint deliberations for preparation of the meeting and the evolving partnership with the key international development, finance and trade institutions and the other main institutional stakeholders of the Monterrey Consensus. Under the umbrella of the overall theme "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and the 2005 World Summit Outcome", four key subjects would be considered: implementation of and support for national development strategies; fulfilment of the development dimension of the Doha Work Programme: Next steps, including in the area of "Aid for Trade"; external debt; and supporting the development efforts of middle-income developing countries. The last theme was particularly innovative in the dialogue between the Council and international institutions and was of particular interest to a growing number of developing countries.

3. A note by the Secretary-General had been prepared as a background for discussions. The note, which would prove particularly useful for the round-table discussions, pointed to the opportunity provided by the present meeting, coming as it did after the International Monetary and Financial Committee (IMFC) meeting, to provide an update regarding progress in enhancing the voice and participation of developing countries and countries with economies in transition in economic decision-making and norm-setting.

4. The recent International Monetary Fund (IMF) and World Bank ministerial meetings in Washington had confirmed the likelihood of continuing satisfactory growth for the world economy, at least in the short term; and indeed, current circumstances provided an opportunity to advance more rapidly on the path to achievement of the internationally agreed development goals. Taking difficult decisions and implementing them, and undertaking required reforms, could be facilitated by an increase in economic and financial resources as a result of a growing world economy. Today's deliberations were important in identifying how that opportunity could be seized.

5. **The Secretary-General** said that the 2005 World Summit had marked a significant advance for the cause of development, triggering positive steps on aid, debt relief and other matters that had been sought for many years. Reaffirming their support for the global partnership for development embodied in the Monterrey Consensus, Member States had pledged to adopt, no later than the end of 2006, comprehensive national development strategies for achieving the internationally agreed development objectives, including the Millennium Development Goals. Such strategies, which would help place the Goals and other international commitments at the centre of national policymaking, on the Millennium Development Goals, yet some of them, including some poverty reduction strategy papers, failed to give sufficient weight to the Millennium Development Goals. The strategies should focus on measurable results and explore policy options best suited to local circumstances. They needed to be based on actual investment needs and include details on how domestic and external resources could be mobilized and then allocated for maximum effect. The United Nations system would help Governments improve the capacities needed to formulate their own strategies. He urged the Bretton Woods institutions to work with the United Nations and other partners as a team.

6. He was encouraged by progress made in mobilizing resources for development. Since 2001, the amount of official development assistance (ODA) had almost doubled and, as a share of GNI, had reached a level not seen since 1992. Meanwhile, debt servicing by the heavily indebted poor countries (HIPC) had declined and further progress was expected now that the Multilateral Debt Relief Initiative, proposed by the Group of Eight (G8), was being implemented by IMF and the World Bank. Important strides had also been made on innovative financing for development. A few years earlier, the topic had been almost taboo; today, various proposals were being implemented by different Member States, including a levy on air tickets and a mechanism to frontload funds for immunizing children. Still, more needed to be done. A large part of the increase in ODA had concentrated on debt relief and emergency relief, meaning that flexible funding for financing Millennium Development Goal strategies had not increased enough.

7. Alongside gains in other areas, the lack of significant progress on trade was conspicuous, even perilous. At the 2005 World Summit, leaders had pledged to work quickly, while at the World Trade Organization (WTO) Ministerial Conference in December 2005, ambitious deadlines had been set. The challenge now was to deliver. He urged developed countries to adopt bold liberalization measures leading to a successful conclusion of the Doha round. Developing countries needed genuine market access opportunities for their goods and services, and the least developed countries should enjoy duty- and quota-free access for theirs. It was also time for trade-distorting agricultural subsidies to be eliminated, in particular for sensitive products such as cotton. It was important to deal effectively with the costs arising from adjustment and the erosion of current preferences. Moreover, many countries would need assistance in order to benefit from current and new opportunities. For that reason, he welcomed the aid-for-trade initiative, which should be promptly and fully funded and implemented.

8. Those were just some of the many sensible steps which, while fostering prosperity and opportunity for people everywhere, would allow poor and marginalized people, especially in the least developed countries, to lift themselves out of poverty. Yet he feared that, as a result of the difficulties encountered by negotiations, some participants had settled for something less than a true development round. That must not be allowed to happen. The international community must maintain its ambition, sustain the drive and demonstrate the political courage needed to conclude the talks by the end of the year.

9. Lastly, he welcomed the steps just taken by IMF to address the question of greater participation by developing countries in its decision-making and urged it to use its September 2006 meeting in Singapore to give a real voice to the developing world, which was a matter of both principle and effectiveness. He also hoped that other intergovernmental bodies, not least the Security Council, would follow suit and make their membership and procedures more representative of today's realities. The 2015 target was closer than many people thought. The international community's agenda for at least the next decade was clear. The international community must not disappoint the millions of people who looked to it, and its organizations, for help in bettering their lives and those of future generations.

10. **Mr. Carrasquilla Barrera** (Chairman, Development Committee) said that 2005 had been a milestone year for development with such landmarks as the G8 Summit in Gleneagles, the High-Level Forum on Aid Effectiveness in Paris, the WTO Ministerial Conference in Hong Kong and, most centrally, the World Summit in September. The commitments made in 2005 had given new impetus to the development agenda and to progress on the Millennium Development Goals. The challenge was to translate those commitments into a programme of action.

11. In many ways, the environment for scaling up ambition on the development agenda had never been better. Developing country growth was at historically high levels. Yet, as the Global Monitoring Report 2006 highlighted, poverty reduction remained uneven. While some countries had met or were about to meet the Millennium Development Goals, other regions, such as Latin America, were slightly off the target trajectory and very few African countries would reach the Goal relating to poverty, despite the acceleration in per capita growth. Progress on the Goals relating to human development was less favourable, with current trends suggesting that many developing countries would fail to meet them. At the Development Committee meeting, Ministers had agreed with the Global Monitoring Report that it was feasible, indeed imperative, to do better. To do so would require concerted efforts by developed and developing countries and by

international agencies on a broad agenda focused on trade and governance based on mutual accountability.

12. Governance had emerged as an essential element of the mutual accountability framework. Contrary to what was often thought, progress in monitoring governance could be both rapid and substantial. Ministers had agreed on the need to improve governance worldwide, build effective States with strong national systems and work together on implementing global initiatives in that area. They had also called on the World Bank to lay out a broad strategy to help member countries strengthen governance and further combat corruption.

13. Ministers at the Development Committee meeting had welcomed the progress made since the Gleneagles Summit on both aid flows and debt relief. They had noted the progress with respect to the International Finance Facility for Immunization (IFFIm) and Advance Market Commitments for vaccines, the levy on airline tickets, the continuing work on blending arrangements, and the rising trend of net private flows to developing countries, including remittances.

14. Ministers had also called for rapid progress in implementing the Paris Declaration on Aid Effectiveness, through improved modalities and a stronger focus on results. Aid — which was often fragmented, unpredictable and poorly aligned with country strategies — must help build core infrastructure and finance recurrent costs that were so vital to expanding social services. The Declaration must be followed by concrete actions to improve aid quality and strengthen delivery mechanisms. Developing countries must strengthen their financial resource management and donors must improve aid quality. To that end, donors had been encouraged to move towards multi-year plans and commitments and to be ready to finance recurrent costs where sector policies were sound and fiduciary conditions adequate.

15. Ministers had welcomed the progress made in implementing the Multilateral Debt Relief Initiative at IMF and the World Bank and had stressed the importance of fully compensating the International Development Association (IDA) for foregone reflows resulting from debt relief. They had also called on the World Bank and IMF to put forward proposals to further refine the Debt Sustainability Framework in Low-Income Countries to support growth and avoid accumulation of unsustainable debt. Discussions had therefore highlighted the need to effectively tack "free riding", where non-concessional lenders mig indirectly obtain financial gain from IDA grants a debt forgiveness. Ministers had called on all expo credit agencies, international financial institutions a other official creditors to participate in such approach and use the debt sustainability framework their lending decisions. It was also critical for HI countries to improve debt management and ensure th the saving from debt relief was used effectively poverty reduction.

16. Implementation of the Doha Developme Agenda was a critical complement to other efforts increase growth and reduce global poverty. Followi the modest progress made in Hong Kong in Decemb 2005, Ministers had urged all WTO members to step their efforts to reach a successful conclusion of t Doha Round by the end of 2006. They had al welcomed a significant increase in donor commitmer for aid for trade and the creation of a WTO taskfor responsible for recommendations on how to make a for trade operational.

17. Welcoming the attention paid in today's dialog to support for the development efforts of middl income countries, he said that such countries were k to achieving global poverty reduction goals a providing global public goods, such as fighti communicable diseases, trade integration, internation financial stability, clean energy and environment protection. However, most of them faced constraints mobilizing the necessary funds. He was therefo pleased to announce that the Development Committ would be focusing on middle-income countries at next meeting.

18. Another issue with important implications f development and financing was that of securi affordable and cost-effective energy supplies underpin economic growth and poverty reduction whi preserving the environment. Two thirds of the increa in world primary energy demand over the next 25 yea would come from developing countries. Meeting th demand would require investments of around $3 billion a year. It was important to ensure that su investments were directed towards more efficient a lower-carbon energy sources. Ministers had therefo agreed to explore ways to help developing countri enhance their access to affordable, sustainable a reliable modern energy services, while paying attenti to environmental considerations. They had also not

that adaptation to climate change for poor countries was a critical development issue and reaffirmed their commitment to the United Nations Framework Convention on Climate Change.

19. Lastly, although the voice and participation of developing and transition economies was not a part of the formal agenda of the spring meeting, Ministers had welcomed the discussion of quota and voice issues at IMF and confirmed their intention to continue discussions with a view to building the necessary political consensus on the voice issue at the World Bank.

20. The Monterrey Consensus had outlined a new partnership between the developing and developed world. At the 2005 World Summit, leaders had reaffirmed their commitment to the shared development goals and to accelerating efforts to achieve measurable results. That required the continued cooperation and engagement of the international community, in particular a strong partnership between the United Nations and the Bretton Woods institutions. In that context, the Development Committee recognized the importance of recent efforts to revitalize the Council's role as one of the main United Nations bodies responsible for economic and social development and saw today's dialogue as central to international development cooperation.

21. **Mr. Ransford Smith** (President, Trade and Development Board) said that UNCTAD concerned itself with two questions in the area of national development strategies: first, what was a good strategy; and, secondly, what kind of international environment was required to make a good strategy effective. Experience had shown that it was important for Governments to have autonomy in creating development strategies specific to the circumstances of each country. Faster growth in the world economy and increased international demand for goods exported by developing countries had led to improved economic performance for many developing countries. Nonetheless, a large number of developing countries were still lagging behind in accomplishing their development objectives, including the Millennium Development Goals. Those countries needed help in designing and implementing their development strategies, as well as financial and technical support.

22. Regrettably, the outcomes of the WTO Ministerial Conference in Hong Kong had fallen short of expectations, particularly on issues having to do with market access for less developed countries. The Doha Round required renewed commitment, so that promise and reality converged. At the Hong Kong meeting, aid for trade had been recognized as necessary to help developing countries to become a part of the international trading system. Trade-related assistance would be needed in many countries to cover the building of infrastructure and costs related to the implementation of new WTO agreements, inter alia. The decision by the G8 to provide resources to finance HIPC debt relief was an important contribution. There remained, however, the question of the debt relief of highly indebted non-HIPC countries. Moreover, it was essential that debt relief should be additional to new commitments of ODA. It was important to strengthen the international competitiveness of middle-income countries in manufacturing and services so that they could develop effectively and meet the challenges of globalization. Many middle-income developing countries were still faced with high levels of debt, which required the attention of the international community.

23. **Mr. Carstens** (Deputy Managing Director, International Monetary Fund), reporting on the meeting of the International Monetary and Financial Committee, held in Washington, D.C. the previous week, said that the Committee had welcomed the continued strong expansion of the global economy, which was becoming geographically more broad, but had warned about such risks as continued high oil prices, a rise in protectionism and a possible avian flu pandemic, which called for vigilance on the part of policymakers.

24. The Committee had noted that joint actions by the international community would result in more effective responses to the global economic situation than would individual actions. Necessary steps to reduce the risks associated with imbalances included increasing national savings in the United States, implementing structural reforms in the euro area and Japan, allowing greater exchange flexibility in surplus countries in Asia, and ensuring efficient absorption of oil revenues in oil-exporting countries. If there was to be global growth and poverty reduction, a substantive outcome to the Doha Round by the end of 2006 was crucial. Aid for trade would help poor countries become more

integrated into a multilateral trading system. In addition, achieving the Millennium Development Goals required a partnership between poor countries, who should continue to pursue sound macroeconomic policies, and donors, who should follow through on their commitments to provide additional resources.

25. The Committee had reiterated the importance of making IMF surveillance more effective and had proposed a new framework for IMF surveillance, with the emphasis on multilateral issues, especially monetary, financial, fiscal and exchange rate policies. It had stressed the critical role of IMF in low-income countries, including in helping to ensure that increases in aid flows are absorbed effectively. Advice and support from IMF regarding capacity-building and financial assistance should be closely aligned with a country's needs. The Committee had welcomed the debt relief provided by IMF, particularly under the HIPC Initiative and the Multilateral Debt Relief Initiative, as it gave countries the opportunity to engage in new borrowing in order to meet the Millennium Development Goals. It was important to refine the debt sustainability framework of IMF and the World Bank and help countries implement sound debt strategies and establish strong public expenditure management and tax systems. IMF had introduced a new instrument to assist countries facing short-term balance-of-payments needs owing to external events.

26. There had been a broad consensus in the Committee that IMF would be effective only if all members had a strong sense of ownership and participation. The ministers had agreed on the need for major reforms and had called upon the Managing Director to work with IMF and the Executive Board to come up with concrete proposals for agreement at the meeting in Singapore set for September 2006.

27. **Ms. Rugwabiza** (Deputy Director-General, World Trade Organization) emphasized that it was crucial for the Doha Round to achieve results in 2006. If it did not, the consequences would be dire. Developing countries would lose the opportunity to make their exports available on world markets, small and poor countries would be further marginalized when it came to global trade, and doubts would grow as to the future of multilateralism in trade. Progress was urgently needed with respect to agricultural subsidies and market access for agricultural products. Agreement must be reached regarding tariffs on industrial products, and in the service sector. Negotiated texts must be drafted in such areas as anti-dumping and subsidies.

28. Aid for trade, which included technical assistance, institutional capacity-building, infrastructure improvements and adjustment assistance, would help developing countries acquire the tools and know-how necessary to benefit from more open world markets. It was not a substitute for a successful Doha Round but rather a necessary and valuable complement. It was part of a new mandate for WTO, a mandate which would be discharged in cooperation with the World Bank, the International Monetary Fund, United Nations agencies, regional development banks and trade, development and finance ministries. A successfully implemented aid-for-trade programme would offer millions of people the chance to escape poverty and live a decent life.

The meeting rose at 10.45 a.m.

United Nations E/2006/SR.7

Economic and Social Council

9 June 2006

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Summary record of the 7th meeting

Held at Headquarters, New York, on Monday, 24 April 2006, at 2.45 p.m.

President: Mr. Hachani ..... (Tunisia)

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Briefing on the High-level Panel on the United Nations System-wide Coherence in the Areas of Development, Humanitarian Assistance and Environment

Reports by the Chairpersons of the Round Tables

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Concluding comments and closure of the special high-level meeting

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06-32207 (E)

The meeting was called to order at 2.55 p.m.

Briefing on the High-level Panel on United Nations System-wide Coherence in the Areas of Development, Humanitarian Assistance and Environment
(E/2006/48 and Corr.1)

1. **Ms. Jacoby** (Observer for Sweden), briefing the Council in her capacity as Director-General for Development Cooperation, Ministry of Foreign Affairs, and member of the High-level Panel on United Nations System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment, said that the Monterrey Consensus, the Millennium Declaration, the Millennium Development Goals, the Johannesburg Plan of Implementation and the 2005 World Summit Outcome had shown that there was unprecedented consensus on the goals to be met, which made greater coherence both possible and necessary.

2. There was also consensus on the need to support nationally owned strategies. It was therefore necessary to enable the United Nations to provide support to deal with the substantial increases in official development assistance (ODA), which had surpassed $100 billion, and to carry out an ambitious agenda. The United Nations clearly had a unique role to play in such an environment. It had been a crucial instrument for analysis and advocacy and had an unequalled network for the coordination of development efforts as well as a unique capacity for peacekeeping, peacebuilding and humanitarian assistance.

3. The first Panel meeting had covered a wide range of issues, including predictable, sustainable and long-term funding, the need for a coherent and effective United Nations system and the governance of that system by the Member States. The major responsibility for system-wide coherence rested with the Member States themselves.

4. There was a need to define a vision of the role of the United Nations system in development and to equip it accordingly. Country ownership was a key to the attainment of successful and sustainable development results. Given its wealth of experience and expertise, the United Nations should focus on providing the best possible support to national programmes by developing country capacity and building on best practices. In addition, the international community must strengthen and empower the resident coordinators at the country level with a view to enabling the United Nati display unity of purpose and procedure.

5. Cross-cutting issues such as gender eq human rights and the environment must be add appropriately to ensure effective results. Efforts be made to ensure that commitment and exper those areas genuinely permeated all United N activities and were mainstreamed into develo decision-making.

6. The Panel would be consulting with the M States and relevant institutions at the Council s in Geneva. There would also be country consultations and theme-based meetings. The would submit its recommendations to the Secr General in September. Its aim would be to pr greater coherence and achieve greater impact pursuit of internationally agreed development including the Millennium Development Goals.

Reports by the Chairpersons of the Round Tabl

7. **Ms. Viotti** (Brazil), Director-Genera Humanitarian and Social Themes, Ministry of Ex Relations, speaking as Chairperson of Round Tal said that Round Table A had focused o implementation of and support for na development strategies towards the achieveme internationally agreed development goals, incl the Millennium Development Goals. Statement been made by Professor Jeffrey Sachs, Director United Nations Millennium Project, and Mr. Lee hyung, Vice Minister for Foreign Affairs and Tra the Republic of Korea. The former had maintaine the International Monetary Fund (IMF) should be proactive in helping to secure interna development financing and working together wi finance ministers of donor countries to fill the between the current level of ODA and the needs countries concerned. He had also stressed that the and the World Bank should ensure that cou programmes were consistent with achievement Millennium Development Goals. The Vice Minist Foreign Affairs and Trade of the Republic of had emphasized the crucial role of human resourc particular education and job training, in achievement of the Goals. Many countries had o examples of their own national strategies, stressi importance of human resource developmen pursuing the Goals.

8. The first half of the Round Table had been devoted to a discussion of national strategies and the promotion of employment. The second part had focused on the support of the international community, ODA and innovative sources of finance for domestic efforts to achieve the Millennium Development Goals. The participants had put much emphasis on country-owned national strategies.

9. Sound macroeconomic policy frameworks remained central to mobilizing domestic resources and attracting external financing. Many considered that there was a need to identify major roadblocks to development and ways to increase aid. Some of the participants had argued that countries should build on existing strategies rather than develop new ones. Various elements should be integrated in one simple and clear document. Support had been expressed for the memorandum of understanding between the United Nations Development Group (UNDG) and the World Bank on incorporating the Goals into poverty reduction strategy papers.

10. Some representatives of civil society had stressed that people should be at the centre of development policies. Some also had expressed the view that fiscal space should be enhanced rather than constrained. Many believed that the Council had a role to play in engaging more effectively with international finance and trade institutions to promote coherence and to support national development strategies. Some saw a need to shift from extrabudgetary funding to regular budget funding and to improve public finance management. Several believed that donors should align aid with developing countries' priorities. It had been suggested that there should be a multi-year funding in order to ensure that aid was predictable.

11. Concern had been expressed that political commitments to increase ODA levels had yet to materialize and that debt cancellation was taking a long time to implement. Many participants had said that more needed to be done to increase the volume and improve the quality of ODA. Reference to the Paris Declaration on Aid Effectiveness had been made with respect to coherence and harmonization of donor policies; further work should be done in that regard.

12. It had been stressed that ODA must be predictable, stable, long-term and coherent with national priorities to enable countries to plan their strategies. It was also felt that efforts were needed to facilitate the flow of aid from private sources, including foundations, NGOs and workers' remittances. The Council might have a role to play in that regard.

13. Many believed that the work on innovative sources of financing should continue. It had been argued that such sources of finance should support national development strategies, supplementing but not substituting for ODA. Reference had been made to the importance of pursuing ongoing pilot projects such as air ticket solidarity contributions, the International Finance Facility for Immunization and the humanitarian lottery to free children from hunger proposed by the World Food Programme. Lastly, concerning employment, it had been felt that implementing the International Labour Organization (ILO) agenda, with its focus on decent work, and integrating the goal of decent work in poverty reduction strategy papers would help generate employment and improve labour conditions.

14. **Mr. Deutscher** (Executive Director, World Bank), speaking as Chairperson of Round Table B, said that the Round Table had discussed aid for trade and the next steps to be taken for fulfilling the development dimension of the Doha work programme. All the participants had welcomed the aid for trade initiative, which would need to include compensation to developing countries for adjustment costs. It had been repeatedly stated that aid needed to complement rather than replace trade. Aid for trade should also be implemented without conditionalities and should respect the principle of country ownership of the development process. There was concern that aid for trade might be diverting attention from the Doha negotiations. Aid for trade should provide stable, predictable, non-conditional financing for capacity-building and trade-related infrastructure. It must be calibrated to individual country needs. Cooperation among all stakeholders and a coherent approach would be crucial for the success of aid for trade. Aid for trade should integrate trade into planning at the national level and be aligned with national priorities.

15. There had been much discussion of the Integrated Framework for Trade-Related Technical Assistance to least developed countries, which should be an integral part of policies. Aid for trade, however, should not detract from the core development agenda of the Doha negotiations; rather, it should support trade liberalization. There was likely to be an increased

amount of ODA available in future to support aid for trade. Such financing, however, should not divert attention from the benefits of improved market access.

16. The task force on aid for trade should take a wider view, to include adjustment costs and compensation. Eliminating the subsidies in developed countries could produce far greater benefits than aid for trade. In that context, the establishment of a global fund was not considered necessary. There must, however, be appropriate incentive for the private sector to expand trade.

17. The views of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) needed to be incorporated in the design of aid for trade. The reform of the Council must take into consideration relations with the Bretton Woods institutions, the World Trade Organization (WTO), UNCTAD and other stakeholders, as well as the need for coherence, transparency, monitoring, accountability and evaluation. The Council should assess the instruments available to developing countries to support the development of trade.

18. The importance of meeting the deadlines for negotiating modalities for agricultural and non-agricultural market access had been emphasized, since trade represented a larger potential contribution than ODA. Agriculture was one of the most important components of the Doha Round negotiations, since it represented the largest potential gain for developing countries. There had been some controversy over the issue, however. The distortions of free trade created by subsidies and restrictions in the agricultural sector could not be compared to tariffs applied by developing countries on industrial goods.

19. Some participants had urged that South-South cooperation to increase trade among developing countries should be further explored, as it could bring significant benefits to many. Such cooperation existed in Asia but was lagging behind in Latin America and Africa. Services also represented an important potential gain, including business and labour services. Although policy space played an important role in providing benefits, it was not the only development dimension of the Round. There had been, however, a divergence of views on that topic. The impact of preference erosion needed to be taken into account. Quota and duty-free access for the least developed countries should be extended to all potential exports, with trans minimal non-tariff regulations.

20. **Mr. Kiekens** (Senior Executive International Monetary Fund), speaking as C of Round Table C, said that insufficient gr policy management, inappropriate investr borrowing on inappropriate terms had unsustainable debt. On a more positive no concessional long-term debt was not cor factor.

21. Participants had agreed that debtors an were jointly responsible for avoiding uns debt in the future. It was crucial that countr develop policies to promote growth which required good governance, appropriate regul stimulation of investments, adequate aid flow trade negotiations. Appropriate debt manage responsible lending by creditors were also c that regard, there was some concern concessional lenders could emerge as fr Finally, it had been agreed that the countr were the most vulnerable to debt shocks shou grants rather than additional loans.

22. The international community needed to more accurate analysis of the risks of debt di develop policies to minimize such distre future. The debt sustainability framewor International Monetary Fund (IMF) and t Bank was focused on that particular is creditors and debtors were urged to develop management policies around that framewor also important to take into account not only th of debt forgiven but also the debt-servicing forgiven. It was the release from debt service year which gave new spending power to coun

23. With respect to the financial aspects of operations, including the Multilateral De Initiative (MDRI), it had been concluded relief should take the form of additional aid. T increase in ODA numbers was partially exp one-off debt relief operations and, for that rea was a risk that the numbers would Nevertheless, there had been an improv sustained ODA to poor countries and all do encouraged to respect their commitments in th

24. Representatives of third world coun Latin America, in particular, had called equitable debt relief and more flexible imple

of the Heavily Indebted Poor Countries (HIPC) Debt Initiative and the MDRI. They had also requested that the MDRI should be extended to include the Inter-American Development Bank.

25. With respect to middle-income countries, some participants had expressed their dissatisfaction with existing frameworks such as the EVIAN approach, which concentrated on restructuring rather than relief and did not distinguish between liquidity and solvency. It was noted that innovative sources of finance, such as debt equity swaps, could play a critical role in providing additional financing. The private sector had called for greater transparency in debt management so that private creditors could make informed decisions in extending credit and assuming risk.

26. The emerging market countries that granted loans to poor countries were encouraged to report their lending operations to the Development Assistance Committee of the OECD. In that way, the international community would have more accurate data on the debt status of poor countries, particularly with respect to the accumulation of new debt.

27. **Ms. Pajín** (Spain), Secretary of State for International Cooperation, speaking as Chairperson of Round Table D, said it had been stated in the Round-Table discussion that a number of middle-income countries had problems similar to those of poor countries, such as poverty, inequality, social issues and external indebtedness. They were also vulnerable to external financial shock and macroeconomic instability. Their problems needed to be assessed on a case-by-case basis and international assistance should be based on their specific needs.

28. The United Nations, the international financial institutions and bilateral donors needed to develop international support instruments that mitigated the problems of middle-income countries and accelerated growth, while taking into account the needs of lower middle-income countries. It was also important to provide special financial support for the poor in developing countries and to develop subnational financial instruments to assist poorer regions in middle-income countries. Macroeconomic stability in middle-income countries needed to be enhanced through measures that reduced risks and increased space for counter-cyclical policies.

29. South-South cooperation needed to be strengthened in the areas of trade, finance, research and technology development. The developed countries were urged to facilitate South-South cooperation and to support triangular cooperation.

30. The need to enhance the level of private capital to finance infrastructure in middle-income countries had been emphasized. Private finance could be mobilized through international organizations, the development of debt markets and the establishment of public-private partnerships, provided that strong regulatory frameworks were in place.

31. Policies that promoted the development of the private sector were important in reducing poverty. In particular, there was a need for an enabling business environment, transparency and good governance. Technical assistance to improve governance and strengthen social protection was also required. Finally, it was important to strengthen the voice and representation of middle-income countries in multilateral institutions, including at the management level.

Statements by representatives of civil society and the business sector

32. **Ms. Kaara** (Ecumenical Programme Coordinator for the Millennium Development Goals, Africa Conference of Churches), said that the Monterrey Consensus had recognized financing for development as an important mechanism in achieving the goal of shared and equitable development. Four years later, the implementation of the Monterrey Consensus remained a fervent hope rather than a reality. More than 1.5 billion people lived in abject poverty and nearly 550 million people were classified as the working poor. According to the *Report on the World Social Situation 2005*, access to jobs was essential for overcoming inequality and reducing poverty, yet much of the developing world had experienced high and even rising unemployment.

33. The civil society organizations maintained that lack of political will had hindered the development agenda. In adopting the Copenhagen Declaration on Social Development and the Programme of Action of the World Summit for Social Development, national Governments had committed to eradicating poverty, achieving full employment and combating social exclusion and gender inequality. However, it appeared that they lacked the political will to implement the necessary national development strategies. In addition,

there was a lack of political will on the part of the developed countries to restrain international financial institutions and afford national Governments the policy space needed to implement their development strategies. The Monterrey Consensus had recognized that trade agreements must complement and support debt reduction strategies and the provision of overseas aid. Once again, lack of political will had resulted in a failure to meet commitments.

34. In the area of trade, participants expressed concern that the Doha Development Round might be usurped by free trade agreements and enforced trade liberalization. With regard to debt, they had stressed the importance of developing effective debt arbitration mechanisms so that the burden of debt workouts would be evenly shared between debtors and creditors.

35. In conclusion, sustainable development and the Millennium Development Goals could not be achieved without a transparent and democratic process that monitored the implementation of national development strategies. The Council needed to ensure that trade and financial policies did not continue to undermine its role as the body entrusted to secure cooperation, coordination and coherence in the United Nations system. The financing for development process and its office at the United Nations must be given adequate resources to fulfil their mandate. The establishment of an executive committee for that process was needed to provide political leadership and impetus in garnering the political will required to move the process forward.

36. **Mr. Saxena** (Chief Executive Officer, INVESCO Private Capital) said that successful entrepreneurship led directly to job creation and rising incomes. While venture capital currently constituted less than 5 per cent of investment by institutions, it created wealth for investors, required no handouts or tax breaks, and was a substantial creator of jobs.

37. Infrastructure was certainly one problem that could be resolved through the application of the venture-capital mechanism and access to debt markets. He urged middle and lower-income countries to find access to debt markets, which were indispensable to financing infrastructure. Debt markets could provide the mechanism for finding more efficient ways to provide subsidies or tax relief than outright grants of cash, which were subject to mismanagement. Debt markets worked well with private-public partnerships, and he urged low- and middle-income developing countries to seek out their nationals knowledgeable in debt markets in order to learn more about them. Committees convened by the Prime Minister of India had contributed to a dramatic increase in foreign direct investment and the flow of money to venture-capital funds in that country over the past two years and provided an example that everyone could follow.

Exchange of views among participants

38. **Mr. Kim** Hak-Su (Economic and Social Council for Asia and the Pacific (ESCAP)), speaking on behalf of the regional commissions, said that while progress in achieving the Millennium Development Goals varied among and within regions, subregions and even countries, a certain momentum was nonetheless apparent, thanks to increasingly focused attention at the country level and to the prospect of enhanced support from the international community. It was essential to undertake new policy initiatives to sustain and deepen that momentum.

39. He stressed the need for periodic regional assessment of implementation, with emphasis on lessons learned and the sharing of experiences. Collaboration within the United Nations system with regard to regional reports on the Goals prepared in 2005 had important implications for Goal-based national development strategies. The third such regional report for the ESCAP region was in preparation. ECA, the African Union and UNDP had recently organized an African Plenary on National Strategies for Poverty Reduction and Implementation of the Millennium Development Goals in Cairo. That meeting had underlined the need for a new generation of poverty reduction strategies supported by more external resources, trade and investment and with increased attention to infrastructure development. Meanwhile, the ECLAC ministerial session in Uruguay in March 2006 had emphasized the need to harmonize social rights agendas and financing requirements, in the light of the need to expand competitiveness and strengthen integration into the world economy.

40. He noted the increasing need to strengthen and promote regional infrastructures to sustain growing interregional trade, investment, South-South cooperation and cooperation for development. Infrastructural needs encompassed both physical infrastructure and facilitation processes. At its Ministerial Meeting in Indonesia in April 2006, ESCAP had considered a major study on upgrading

regional infrastructure and the financing needed to do so and had mandated further work on strengthening regional cooperation in trade, tourism and a trans-Asian railway network. ESCWA had also been promoting a number of instruments to forge cooperation in the areas of transport and communication networks for meeting the emerging development challenges in the region.

41. Infrastructure development and harnessing the surplus resources available in all the regions were also important for the development of middle-income developing countries. In that regard, public-private partnerships offered useful lessons and experiences, which the regions could share with each other. Another important area of work for the regional commissions was the establishment of transport and communication linkages between regions and continents in order to further support development processes.

42. The regional commissions wholeheartedly endorsed the view of WTO that "Aid for Trade" was increasingly necessary and that solutions could come only through working with others. While it was highly important that the Doha Round of negotiations should create significant trade opportunities for the developing countries, many of those countries would be unable to take advantage of any opportunities without developing the needed capacity. The regional commissions had been working with WTO and UNCTAD to organize training and information-sharing events to facilitate the implementation of the trade agreements. He also stressed the importance of membership in WTO for developing countries in all regions and noted that in recent years the regional commissions had been actively facilitating WTO accession and integration into the global economy for those countries.

43. **Mr. Pfanzelter** (Austria), speaking on behalf of the European Union, the acceding countries and the European Free Trade Association countries members of the European Economic Area, said that the European Union and the countries aligning themselves with his declaration were strongly committed to the timely implementation of the Monterrey Consensus of the International Conference on Financing for Development, together with the Millennium Development Goals, and strongly welcomed the endorsement by the 2005 World Summit of the commitments on development assistance and the need to accelerate progress with respect to the Millennium Development Goals, aid effectiveness and debt relief, and to address the special needs of Africa. They also welcomed the Summit's unanimous acknowledgement of the Millennium Development Goals as the international framework for development, together with the Monterrey Consensus and the Johannesburg Plan of Implementation.

44. The European Union was well on the way to meeting its 2002 commitments to increasing aid volumes by 2006, eventually resulting in an additional €20 billion ODA annually and representing an intermediate step towards achieving the United Nations target of 0.7 per cent by 2015. Current EU aid to developing countries amounted to about €64 billion, representing about 55 per cent of total world aid. Commitments made in 2005 would make an additional €20 billion available by 2010, but more rigorous attention to the effectiveness of that spending would be required. Aid effectiveness was already a major feature of the European Union's development policy, as stated in the European Consensus on development agreed in Brussels in December 2005. Improvement in the quality and effectiveness of aid had to proceed in parallel with increases in the quantity of aid; that entailed action and commitment on the part of recipient countries as well as donors. Improvement was also needed in governance, both in developing countries and globally, in order to strengthen accountability for resource use and for development outcomes. Monitoring governance could help to clarify options for scaling up assistance and could support broader efforts to strengthen transparency and accountability at both the national and global levels.

45. The European Union recognized the importance of efforts in the fields of trade and debt relief and considered that the Doha Development Agenda was a major opportunity for development potential and an opportunity not to be missed. The Union remained dedicated to its objectives of creating genuine new business opportunities in agricultural and industrial products and services, particularly in developing countries; contributing to development; and strengthening multilateral rules, notably in trade facilitation. It was fully committed to meeting the 2006 negotiations deadline for the Doha Development Agenda.

46. For developing countries to reap benefits from trade liberalization, it was essential for them to mainstream trade into their development strategies and overcome supply constraints to business and trade,

especially weak regulatory frameworks and unfavourable business environments. The preservation of the financial viability of the International Development Association and the African Development Fund remained a key priority for the European Union, and he called on all donors to honour their commitments to fully finance the Multilateral Debt Relief Initiative (MDRI). The European Union remained committed to finding solutions to unsustainable debt burdens and welcomed the timely deliberations of the Development Committee. It was vital to address multilateral debt as well as the long-term debt sustainability of low-income countries, given that some poor countries remained in debt distress situations or had returned to unsustainable debt ratios despite no longer technically qualifying as highly indebted.

47. The European Union had expressed deep concern over the lack of progress on the Millennium Development Goals in sub-Saharan Africa, and was examining options for additional action to advance the development process. In that context, it welcomed the report of the Commission for Africa underlining the central importance of the New Partnership for Africa's Development (NEPAD) as an Africa-owned strategic framework to address the development challenges of the continent. It also welcomed the World Bank's Africa Action Plan and viewed with interest the launch of the Africa Catalytic Growth Fund. Citing Europe's own experience as illustrating the benefits and potential of gradual regional cooperation and integration and stressing the example of NEPAD, he called for stronger regional cooperation among developing countries, and recognized the region's progress in consolidating democratic principles, good governance and respect for the rule of law and human rights. Recalling the €11.5 billion annual support accorded to Africa by the Union and its member States, he particularly encouraged efforts to improve the quality of governance, including those leading to greater accountability, transparency and control of corruption in a strengthened public sector.

48. **Mr. Cho** Hyun (Republic of Korea) said that the importance of trade in attaining economic growth could not be overemphasized, but there was a need to find ways to provide developing countries with incentives to participate in global trade liberalization. The proposals made at the Uruguay Round negotiations a decade previously had proved inadequate. Now there were high hopes for negotiations on the current D Development Agenda, but their outcome rema uncertain. Against that backdrop, the spread bilateral free-trade agreements in recent years worrisome in that such agreements were ill-suite the needs of most developing countries. He there reiterated the importance of a strengthened gl trading regime, as well as his country's strong sup for a successful conclusion of the Doha negotiation

Concluding comments and closure of the special high-level meeting

49. **The President** said that innovative approa and new ideas to advance the development agenda been put forward. Building on those ideas in the Un Nations, the Bretton Woods institutions, the W Trade Organization, UNCTAD and other internati forums was a task that should involve all stakeholders of the Monterrey Consensus. Citing need to start exploring ways in which the result of dialogue could lead to a greater impact, he said tha would initiate consultations with all stakeholders ways to follow up on key concrete recommendat emerging from the discussions.

50. The current world economic outlook remained the whole satisfactory. Significant risks remai however, owing to persistent global finan imbalances and the possibility of continuing volat in energy prices. A substantial coordinated effort needed by key players to achieve a smooth unwin of the global imbalances to avoid a disruption in world economy. Also, the fact that negotiating par had made only modest gains in some of the areas be negotiated, while in several areas of interest developing countries there had been no signifi advances, was a major concern. Indeed, deci progress towards fulfilling the development dimen of the Doha work programme had been lack particularly for agricultural products. In that cont there was a critical need to muster the political wi succeed in achieving a satisfactory agreement at earliest. Also, aid for trade was of great importa for many developing countries, it was viewed a complement but not a substitute for the succes implementation of the outcome of the multilateral t negotiations.

51. Nationally designed development strategies w important instruments for making developm objectives explicit and identifying priorities for act

Full ownership and policy space were central to actual implementation. A "bottom-up approach" in designing development strategies was needed. Well-designed national development strategies were key to mobilizing and coordinating international cooperation and pointing out poverty eradication goals, including the Millennium Development Goals, and related measures. Alignment was an important feature of effective international cooperation in the context of the interface between objectives and policies, domestic actions and international financial cooperation, and the role of technical assistance. Implementation of the recommendations of the Paris Declaration on Aid Effectiveness was another important related issue in the discussion. Finally, the useful role of and progress in implementation of innovative financing sources to offer needed additional, long-term, predictable resources had been noted.

52. Regarding support for the development efforts of middle-income developing countries, two major topics had received special attention: the stability of the world economy and international finance, and the international cooperation policies that might have a significant impact on such countries. With regard to the former topic, there was a need for renewed efforts to enhance the international financial architecture; regarding the latter, participants had stressed the need for special financial support targeting the poor within those countries, as well as the role of multilateral development banks as a source of long-term capital to step up infrastructure investments. Of special interest was the generous offer of the Government of Spain to organize, with the Department of Economic and Social Affairs, a conference on middle-income developing countries.

53. On the debt issue, positive steps had been taken to finance the multilateral debt relief of HIPCs, but for other countries excessive debt was still preventing acceleration of development and jeopardizing the achievement of the Millennium Development Goals, thus necessitating additional measures on the debt relief front. Some had suggested that the EVIAN approach should go beyond restructuring and tackle debt relief issues, while others had pointed out that a durable solution to the debt problem required enhanced debt management and analysis. It was recognized that by focusing on debt sustainability, UNCTAD and the Bretton Woods institutions were making an important contribution in that respect.

54. Finally, the decision of the International Monetary and Financial Committee to discuss the issue of fair representation for all members reflecting the important changes in the weight of countries in the world economy had been welcomed by several participants. He looked forward to a successful conclusion of those negotiations in Singapore.

The meeting rose at 4.40 p.m.